



July 2004

HECB Agency Budget Request for 2005-07

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Introduction

Washington state enacts biennial operating and capital budgets during each odd-numbered year. The state Office of Financial Management (OFM) has directed agencies to submit supplemental budget requests for the 2005-07 biennium by September 1, 2004.

The Higher Education Coordinating Board's spending authority for the current biennium (2003-05, state general fund) is \$325 million. Of that amount, \$309 million (95 percent) pays for student financial aid and direct services. Of the remaining 5 percent, \$12 million is earmarked for high-demand enrollment grants, while \$4 million supports the board's coordination and policy efforts. Presently, the amount "carried forward" into the next biennium is also about \$325 million, which does not include a provision to carry forward \$11 million in funding for the high-demand enrollment grant program. The \$325 million carry forward amount is the same as the prior biennium because it represents the cost of funding programs for both fiscal years (2005-07) at the same level as the second year of the 2003-05 biennium.

The HECB agency budget request is one step in implementing the proposals outlined in the board's *2004 Strategic Master Plan for Higher Education*. Other aspects of the plan will be implemented through the board's review of institutional budget requests and other board actions.

Board Action Requested

The board is asked to adopt the draft HECB 2005-07 supplemental budget request, which begins on the following page. With board adoption, these proposals will be finalized and submitted to OFM by September 1, 2004.

Coordination and Policy Proposals

1. Transfer and articulation – \$1.65 million for credit equivalency system

The *2004 Strategic Master Plan for Higher Education*, as well as legislation enacted earlier this year, identify a need to improve efficiency in the student transfer process. To that end, the HECB will require funding to develop and maintain a statewide integrated student advisory system. This system will include: course equivalencies for all sectors in the state (two-year to two-year courses; two-year to four-year courses; and four-year to four-year courses) and electronic transcripts. A feasibility study, with different costs and options, is due to the legislature in January 2005. A rough estimate of costs, based on a similar system developed in New Jersey, requires \$1.1 million for the first year and \$550,000 for subsequent years.

2005-07 budget impact:

Dollars needed	\$1,650,000
2003-05 state appropriations	\$0
Required increase in state appropriations	\$1,650,000

RCWs requiring amendment: None.

2. Higher education data – \$500,000 for student-focused data system

The master plan and HB 3103, enacted in 2004, propose the HECB as the state's primary source of student-focused higher education information. The numbers shown below represent a rough estimate of the cost of implementing this system, including initial equipment and technology expenses. Efforts are underway to define the scope of the project and refine the cost estimate.

2005-07 budget impact:

Dollars needed	\$500,000
2003-05 state appropriations	\$0
Required increase in state appropriations	\$500,000

RCWs requiring amendment: None.

3. High-demand enrollments – \$30 million to continue competitive grants

Funding for competitive grants to the public baccalaureate institutions and community and technical colleges would complement general enrollment funding that is appropriated directly to the institutions. The funds requested will support high-demand enrollments at an average of \$11,000 per FTE and worker retraining at an average of \$5,000 per FTE. Enrollments funded

through this program will respond to the economic development needs of the state and its regions by increasing the number of students who earn degrees in high-demand fields. To ensure that these high-demand programs continue into the future, funds awarded to public institutions through this grant program are now included in the future base budgets of those institutions.

2005-07 budget impact:

Dollars needed	\$30,070,000
2003-05 state appropriations*	\$0
Required increase in state appropriations	\$30,070,000

*The 2003-05 state appropriations for high-demand enrollments will be transferred to the institutions' base budgets for 2005-07. The administrative allowance will not carry forward in the HECB budget.

RCWs requiring amendment: None.

Financial Aid Proposals

4. State Need Grant – \$82.1 million to meet HECB service goals

This funding would ensure that grants to the state's lowest-income students would meet the full cost of tuition at a public institution, enabling them to enroll and persist in higher education programs and improving their likelihood of earning degrees. By increasing the income eligibility limit, it also will provide funding for about 10,000 additional low-income students each year. This change in funding would enable the state to serve all eligible students whose family incomes are up to 65 percent of the state median, with grants equaling 100 percent of public college and university tuition. (This request assumes a 7 percent tuition increase each year. If tuition increases are more or less than 7 percent, the requested amount will change.)

2005-07 budget impact:

Dollars needed	\$337,507,964
2003-05 state appropriations*	\$249,800,000
Anticipated federal funds	\$5,600,000
Required increase in state appropriations	\$82,107,964

*Includes OFM carry forward adjustment.

RCWs requiring amendment: None.

5. State Work Study – \$600,000 to place students in high-demand jobs

Classroom education is only the first step in preparing students for the workforce. Employers frequently report that practical experience is also a critical element to success on the job. While funding increases would be in proportion to legislative increases in high-demand enrollments, the funds requested would be primarily available to needy students in all high-demand fields. The funds would be used to reimburse employers for a portion of the wages paid to student employees.

2005-07 budget impact:

Dollars needed	\$600,000
2003-05 state appropriations	\$0
Required increase in state appropriations	\$600,000

RCWs requiring amendment: None.

6. Educational Opportunity Grant – \$1.5 million for additional awards

An investment in EOG-eligible transfer students is an efficient way to increase the number of placebound students who earn bachelor's degrees. Students who receive the EOG already hold associate degrees, require only about two more years to complete bachelor's degrees, and are ready to benefit from upper-division study. This proposal directly supports the HECB master plan goal of increasing the number of baccalaureate graduates earned by increasing the number of EOG grants by 50 percent over the next two years – from the current level of 1,260 to 1,860 in 2006-07.

2005-07 budget impact:

Dollars needed	\$7,300,000
2003-05 state appropriations	\$5,800,000
Required increase in state appropriations	\$1,500,000

RCWs requiring amendment: None.

7. Promise Scholarship – \$19.6 million to fulfill original program intent

Consistent funding and predictable awards for the Promise Scholarship would improve K-12 / higher education linkages by motivating students in middle and high school to study hard and prepare for college. The Promise Scholarship was intended to provide two years of tuition at the community and technical college rate to low- and middle-income students who excel in high school. However, the program has never been funded sufficiently to provide for awards equal to

community and technical college tuition. Current awards represent less than half of two-year college tuition, and the overall purchasing power of the award has fallen by more than one third since the program began in 1999. (This request assumes a 7 percent tuition increase each year. If tuition increases are more or less than 7 percent, the requested amount will change.)

2005-07 budget impact:

Dollars needed	\$36,422,103
2003-05 state appropriations	\$16,800,000
Required increase in state appropriations	\$19,622,103

RCWs requiring amendment: None.

8. Maintain financial aid purchasing power – \$8.2 million in new funding

This proposal would maintain the purchasing power of several state financial aid programs that have grant amounts linked to tuition rates or enrollment levels, including Washington Scholars, Washington Award for Vocational Excellence (WAVE), and regular State Work Study programs. Funding increases for WAVE and Washington Scholars would be linked to tuition and fee increases. Increases to the core State Work Study program would be in proportion to increases in general enrollments. (Requests for WAVE and Scholars assume a 7 percent tuition increase each year. If tuition increases are more or less than 7 percent, the requested amount will change.)

2005-07 budget impact:

	Regular SWS	WAVE	Scholars	Total
Dollars needed	\$41,896,000	\$1,739,855	\$4,641,436	\$48,277,291
2003-05 state appropriations*	\$34,096,000	\$1,690,000	\$4,310,000	\$40,096,000
Required increase in state appropriations	\$7,800,000	\$49,855	\$331,436	\$8,181,291

*Includes OFM carry forward adjustments for WAVE and Washington Scholars.

RCWs requiring amendment: None.

9. Financial aid for working adults – \$2 million for pilot project

Financial aid that would help full-time workers pursue part-time education will enable more workers to gain valuable skills and, overall, will improve the quality of Washington's workforce.

In 2000, about 953,000 Washington residents aged 25 or older – one out of every four – had earned a high school diploma, but had no additional postsecondary education. Many of these workers are currently unable to attend college. Because they are working full-time, they do not usually have time to take the six credits currently required to qualify for financial aid, and they do not have enough income to pay for part-time courses on their own. A pilot program would allow the state to serve this population, assess demand for such a program, and evaluate its impact before considering whether it would be of value on a statewide basis.

2005-07 budget impact:

Dollars needed	\$2,000,000
2003-05 state appropriations	\$0
Required increase in state appropriations	\$2,000,000

RCWs requiring amendment: Requires authorizing legislation.

10. WICHE – \$31,600 for increased dues and support fees

Washington is one of 15 states that belong to the Western Interstate Commission on Higher Education (WICHE), a regional higher education organization that, among other activities, operates student exchange programs to help students pursue unique educational opportunities in colleges outside their home states. Membership dues and support fees (the amount a state spends to send students to out-of-state programs) are scheduled to increase in 2005-06. This funding responds to the increases proposed for each of the next two years.

2005-07 budget impact:

Year	Dues increase over FY 2005	Student support fees increase over FY 2005	Yearly increase
2005-06	\$3,000	\$8,700	\$11,700
2006-07	\$7,000	\$12,900	\$19,900
Required increase in state appropriations	\$10,000	\$21,600	\$31,600

RCWs requiring amendment: None.

11. Financial aid outreach – \$134,000 for technical assistance and oversight

The HECB administers more than \$140 million every year in eight state student financial aid programs. Each program has unique regulations. Much of this administrative work is performed in partnership with colleges. While formal agreements, program manuals and agency training anchor HECB responsibilities, little direct examination of institutional student records occurs to

provide the technical assistance, feedback, and assurance to the institutions that they are complying with these various regulations. This funding would support a field-based technical assistance team to ensure compliance and ongoing program quality. The team would include one new full-time staff member, assisted by existing staff. The goal would be to create a review process and visit each institution at least once every three years.

2005-07 budget impact:

Dollars needed	\$134,000
2003-05 state appropriations	\$0
Required increase in state appropriations	\$134,000

RCWs requiring amendment: None.

Administrative Proposals

12. Enhance financial aid delivery systems – \$150,000

The HECB is in the process of replacing its legacy mainframe computer systems with Web-based methods of delivering financial aid to institutions, employers and students. In the first year of the biennium, the costs of this initiative will be paid with existing savings incentive funds. The funds requested are for the second year of the biennium only.

2005-07 budget impact:

Dollars needed	\$150,000
2003-05 state appropriations	\$0
Required increase in state appropriations	\$150,000

RCWs requiring amendment: None.

13. Technical changes required by the Office of Financial Management

Each biennium, OFM requires agencies to make a number of technical changes in their budget requests. These include adjustments to Old Age and Survivor's Insurance, revolving fund charges estimated by other agencies, the agency's contribution to the state's self-insurance pool, and non-appropriated and federal funds spending authority. At present, the exact dollar amount of several of these technical changes has not yet been determined by OFM.



STATE OF WASHINGTON
HIGHER EDUCATION COORDINATING BOARD

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RESOLUTION NO. 04-19

WHEREAS, The Higher Education Coordinating Board (HECB) is a 10-member citizen board, directed in statute "...to represent the broad public interest above the interests of the individual colleges and universities;" and

WHEREAS, The Higher Education Coordinating Board administers all state-funded financial aid so that loans, grants, and work – state and federal – may be coordinated to provide the best possible service to students and make best use of state resources; and

WHEREAS, The board also provides policy, regulatory, and fiscal recommendations at the request of the legislature and governor; and

WHEREAS, The budget request reflects the comments and decisions of the board's financial aid and fiscal committees; and

WHEREAS, The Office of Financial Management (OFM) has directed public agencies to submit budget requests for the 2005-07 biennium by September 1, 2004;

THEREFORE, BE IT RESOLVED, That the Higher Education Coordinating Board approves the biennial budget request presented to the board on July 22, 2004, and directs staff to refine and redraft the request to accommodate OFM submittal requirements by September 1, 2004, leaving open the determination of how the high-demand funds will be allocated among the sectors.

Adopted:

July 22, 2004

Attest:

Bob Craves, Chair

Gay Selby, Vice Chair

